

The Great Banking Reset

How Risk, Regulation, and Technology Are Rewriting Finance in 2026

Dr. Ned Gandevani

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The Banking Reset in One Story

- 2023 exposed how quickly interest-rate losses, concentrated balance sheets, and deposit flight can become a confidence and liquidity event.
- 2024–2025 brought stronger capital, liquidity management, supervisory attention, and balance-sheet adjustment.
- 2026 begins from a stronger national position, with profitability, deposits, and lending all showing resilience.
- But risk has not disappeared. It has become more distributed, interconnected, and harder to see from bank balance sheets alone.
- The reset is therefore not simply about making banks safer. It is about redesigning banking for a digital, interconnected financial system.





PART I | FROM THE 2023 SHOCK TO 2026

What changed, what improved, and what moved beneath the surface



2023: The Shock That Changed the Conversation

- The regional-bank crisis demonstrated that a bank can appear adequately capitalized while still facing severe market and liquidity pressure.
- Rapid interest-rate increases exposed duration risk and large unrealized securities losses on bank balance sheets.
- Deposit concentration and the speed of digital withdrawals changed the dynamics of a traditional bank run.
- The central lesson was that capital, liquidity, asset quality, funding structure, and confidence must be assessed together.



After 2023: The Banking System Adjusted

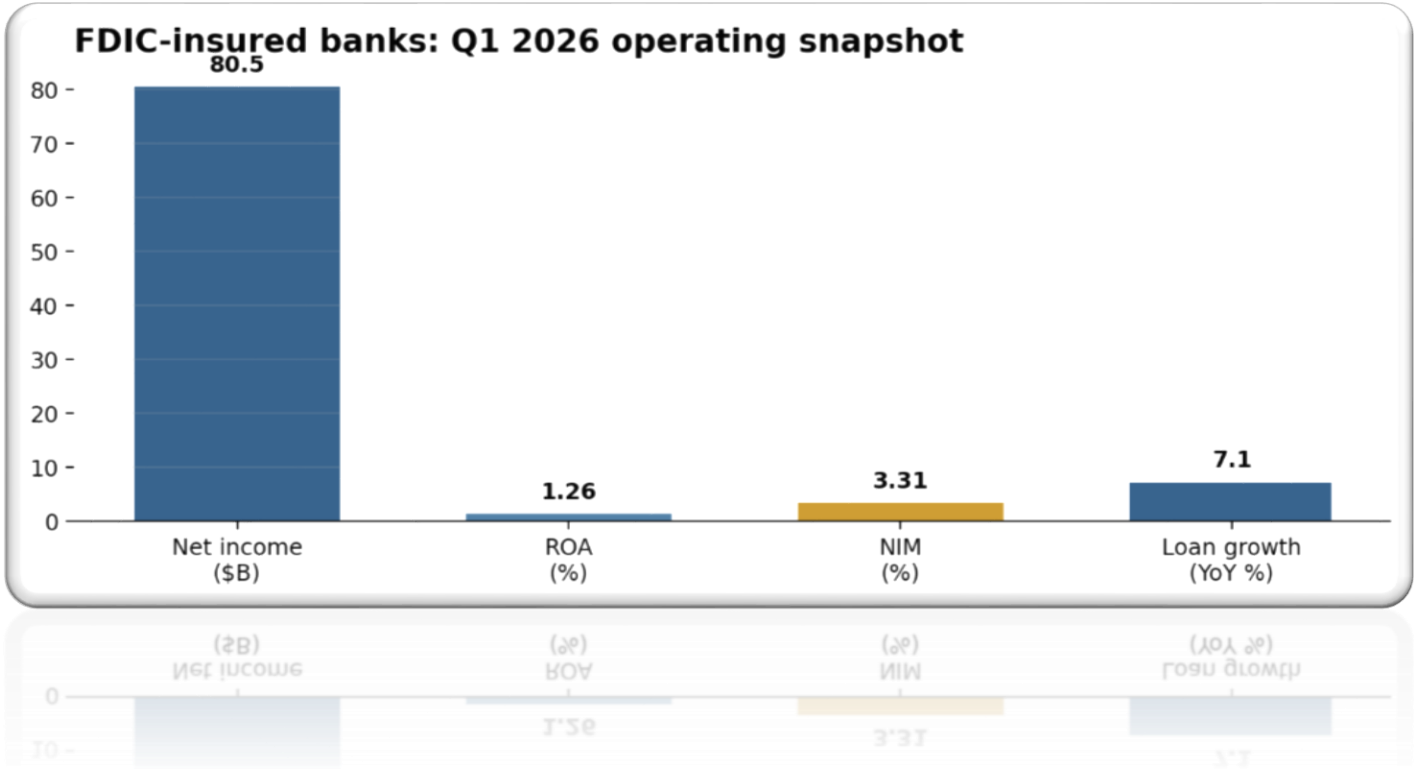
- Banks strengthened liquidity planning and became more focused on deposit stability and funding diversification.
- Supervisors placed greater emphasis on interest-rate risk, liquidity, concentration risk, operational resilience, and governance.
- Balance sheets adjusted as securities portfolios, loan growth, funding costs, and capital positions evolved.
- The objective shifted from measuring isolated risks toward understanding how risks interact under stress.
- By 2026, the banking system is operating from a different risk-management framework than it was entering 2023.

2026: Stronger Starting Point, Different Risk Profile

Q1 2026 FDIC data show a profitable banking system, but the margin and credit-quality questions remain.

KEY READ-THROUGHS

- \$80.5B quarterly net income, up 14.3% year over year.
- ROA reached 1.26%.
- Loan balances grew 7.1% year over year, the fastest annual growth rate since Q2 2023.
- Domestic deposits increased for a seventh consecutive quarter.
- NIM was 3.31%, down 8 basis points from the prior quarter.



Interpretation: resilience is visible in earnings, deposits, and lending. The next question is whether margins and credit performance can remain durable as the balance sheet expands.

The 2026 National Banking Snapshot

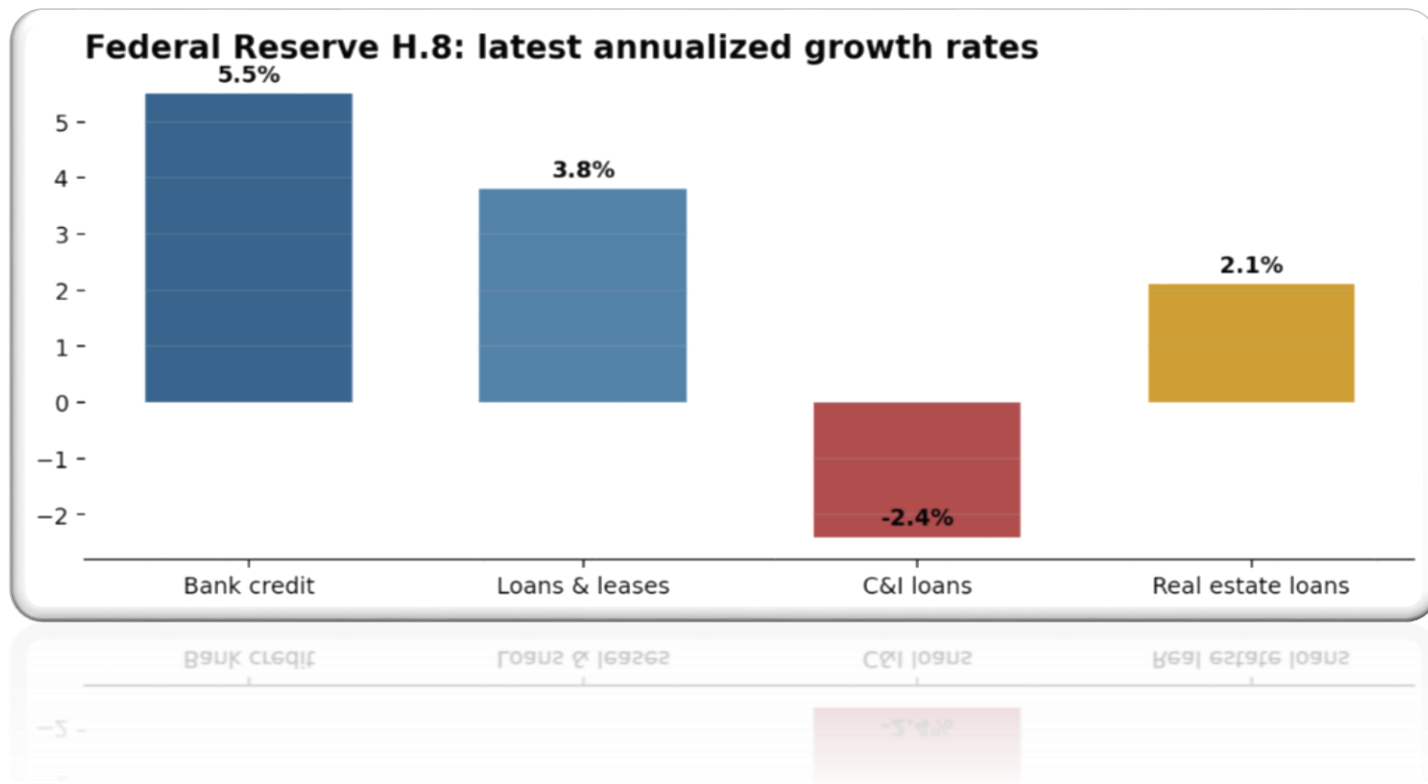
Five numbers frame the reset: profitability, capital generation, lending, deposits, and margin pressure.



The data point to a banking sector that has regained earnings and deposit stability. They do not eliminate interest-rate, credit, CRE, or interconnectedness risks.

Credit Is Expanding Again, But the Mix Matters

Latest Federal Reserve H.8 data through early September 2026



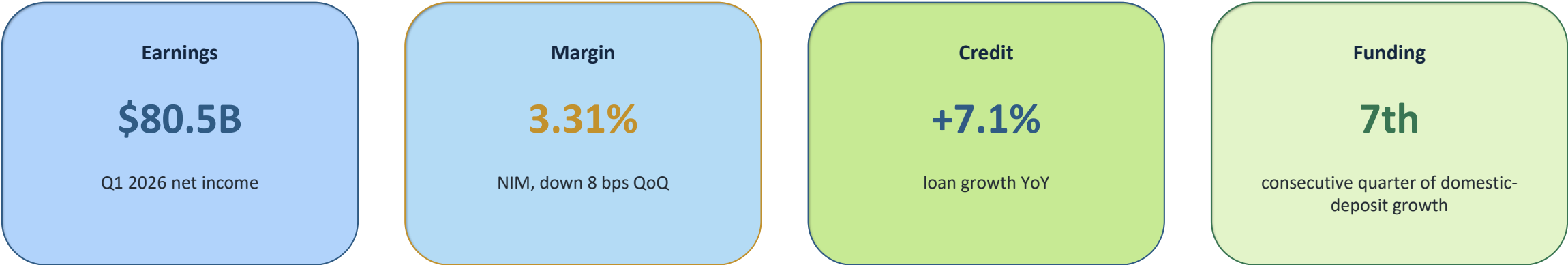
WHAT THE MIX SAYS

- Total bank credit: +5.5% annualized.
- Loans and leases: +3.8% annualized.
- Real estate loans: +2.1% annualized.
- C&I loans: -2.4% annualized in the latest reading, after stronger growth earlier in 2026.
- The latest data therefore show continued balance-sheet expansion, but not uniform credit growth across categories.

Risk lens: faster aggregate credit growth is not automatically better or worse. Underwriting standards, borrower leverage, sector concentration, and loss performance determine whether expansion creates durable earnings or future provisions.

Profitability Does Not Mean Risk Has Disappeared

The earnings picture is strong, but the balance-sheet sensitivity is multidimensional.



A useful stress test is to ask what happens if loan growth slows, funding costs rise, credit losses increase, or securities valuations deteriorate at the same time.

Commercial Real Estate: From Exposure to Refinancing Risk

- FDIC's 2026 Risk Review reports modest CRE portfolio growth and generally low aggregate delinquency and charge-off ratios.
- The more important concern is uneven exposure combined with elevated rates, operating costs, and property vacancies.
- Office properties remain especially sensitive to vacancy, cash-flow pressure, and refinancing conditions.
- CRE risk should therefore be evaluated through borrower cash flow, debt-service capacity, maturity schedules, collateral values, and concentration.



The CRE Refinancing Wall

The latest evidence favors a refinancing and cash-flow lens rather than a simple delinquency lens.

>14%

Office vacancy at year-end 2025

\$1.4T

Private-credit loans, late 2025

\$15.7T

Corporate debt, Q2 2026

7.1%

Private credit as share of
corporate debt

FDIC reports that aggregate CRE delinquency and charge-offs remained low, but conditions are uneven and elevated operating costs, rates, and vacancy continue to challenge refinancing and repayment, especially in office.

DSCR: The Early-Warning Metric

- Debt-service coverage ratio links property cash flow directly to the ability to meet debt obligations.
- $\text{DSCR} = \text{NOI} / \text{Annual Debt Service}$
- Example: \$1.0 million NOI ÷ \$750,000 debt service = 1.33x.
- If refinancing raises debt service to \$900,000, DSCR falls to 1.11x even though NOI is unchanged.
- This is why CRE risk can emerge through refinancing and cash flow before it appears in headline delinquency data.

National Strength Does Not Eliminate Bank-Level Differences

Large-bank disclosures illustrate why aggregate statistics should be paired with institution-level exposures.

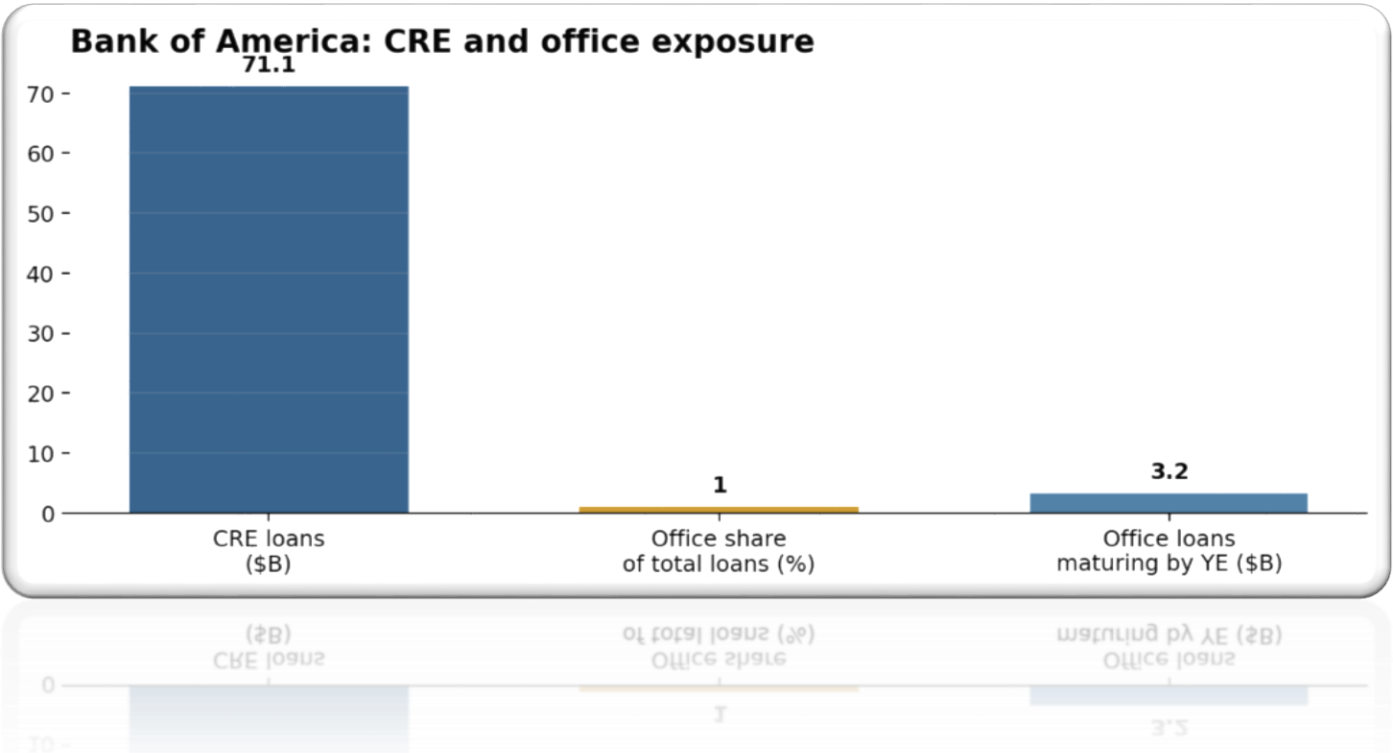
JPMORGAN

Q1 2026:

- \$16.5B net income
- 19% ROE
- 14.3% standardized CET1
- \$1.5T average loans
- \$1.5T cash + marketable securities
- \$2.5B credit costs

BANK OF AMERICA

At June 30, 2026, CRE loans were \$71.1B. Office loans were below 1% of total loans, and \$3.2B of office loans were scheduled to mature by year-end 2026.



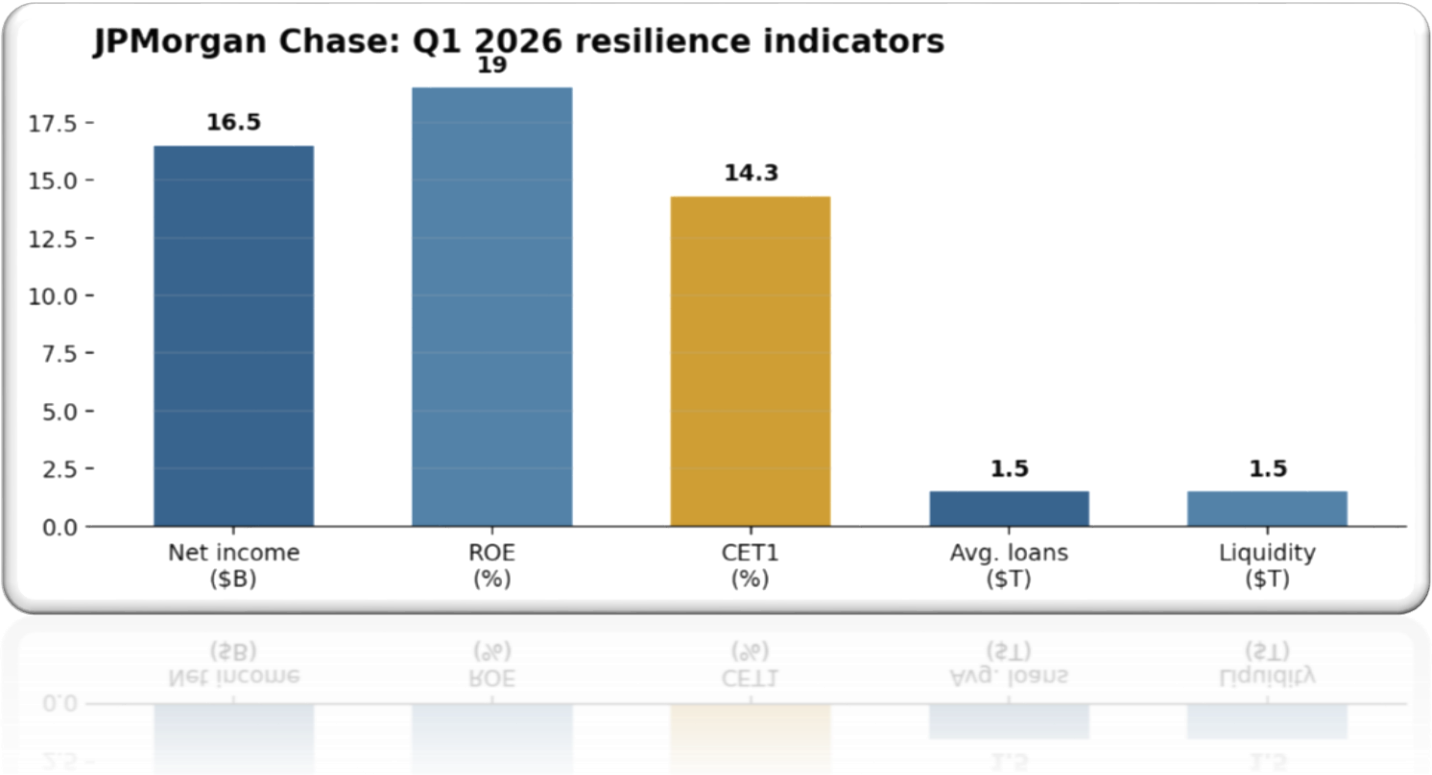
Large-Bank Resilience: A Different Starting Point in 2026

JPMorgan Chase provides a concrete example of the capital and liquidity buffers available at a globally systemic bank.

WHY IT MATTERS

- Strong earnings support internal capital generation.
- 14.3% standardized CET1 provides a substantial loss-absorption buffer.
- \$1.5T of cash and marketable securities provides liquidity capacity.
- Large-bank resilience does not remove system-wide risk because large institutions remain connected to markets, NBFIs, counterparties, and payment infrastructure.

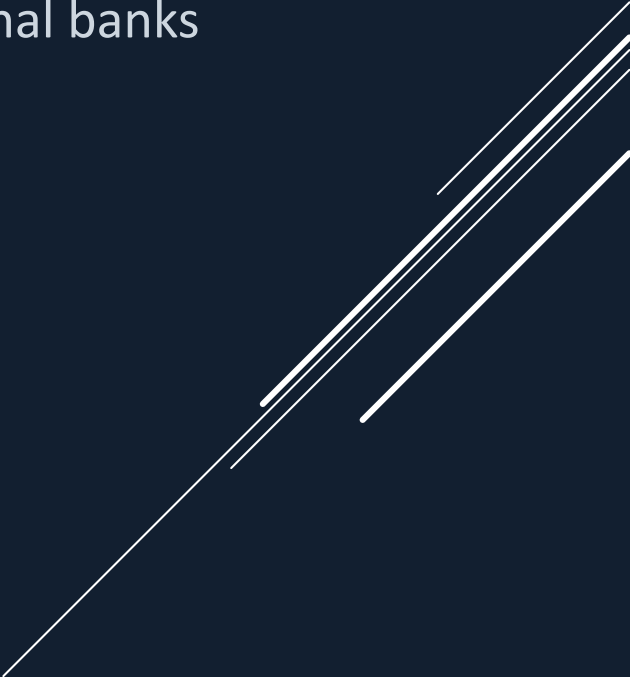
The analytical shift is from “Is the bank safe?” to “How does the bank transmit and absorb stress across the financial network?”





PART II | THE RISK MIGRATION

The most important difference from 2023 may be what sits outside traditional banks



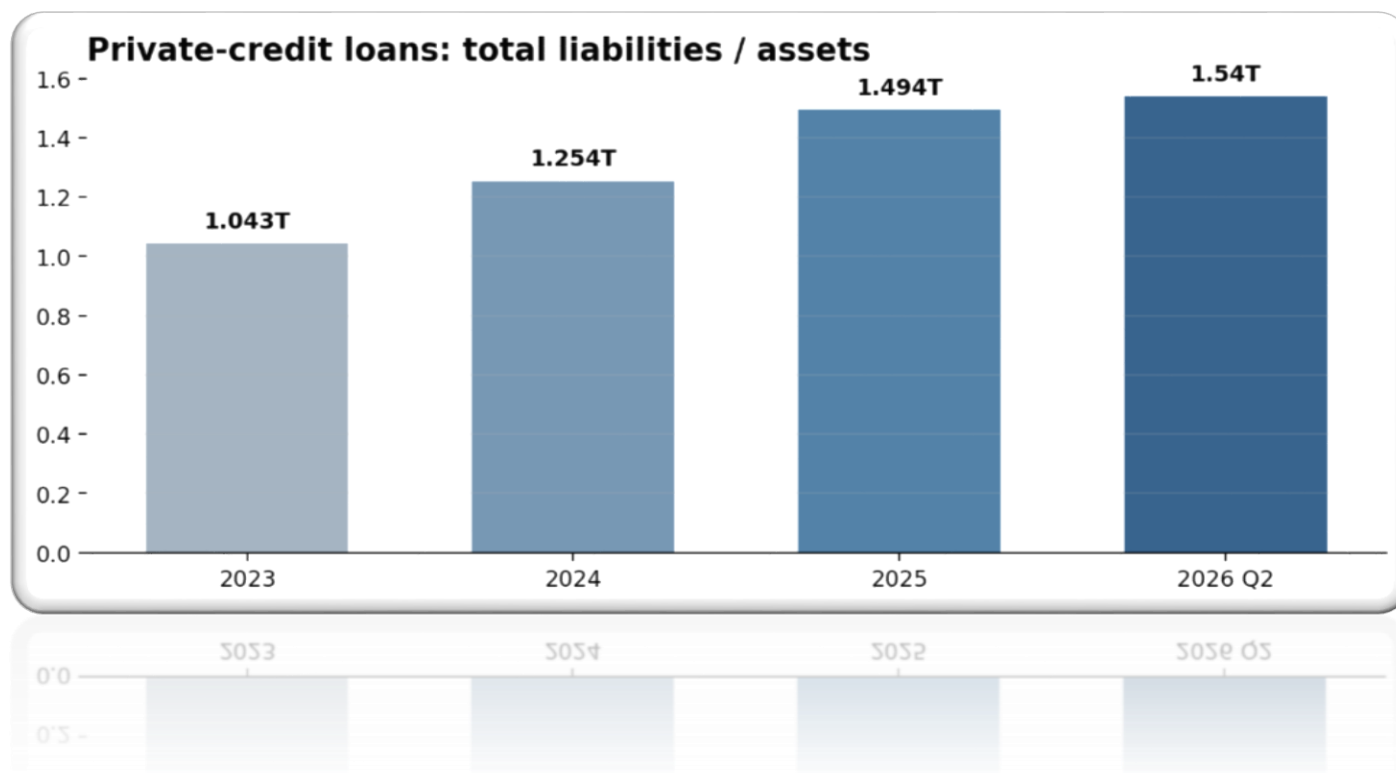
The Financial System Is Bigger Than the Banking System

- Private credit, private equity, BDCs, asset managers, insurers, and other nonbank financial institutions now play a larger role in credit creation.
- Banks remain connected to this ecosystem through lending commitments, financing, derivatives, custody, payments, and other services.
- Risk can therefore migrate without disappearing.
- The supervisory question becomes: where is risk held, who funds it, and what happens when market conditions deteriorate?



Private Credit Has Become a Systemic Transmission Channel

The September 2026 Financial Accounts release materially improves the measurement of private credit.



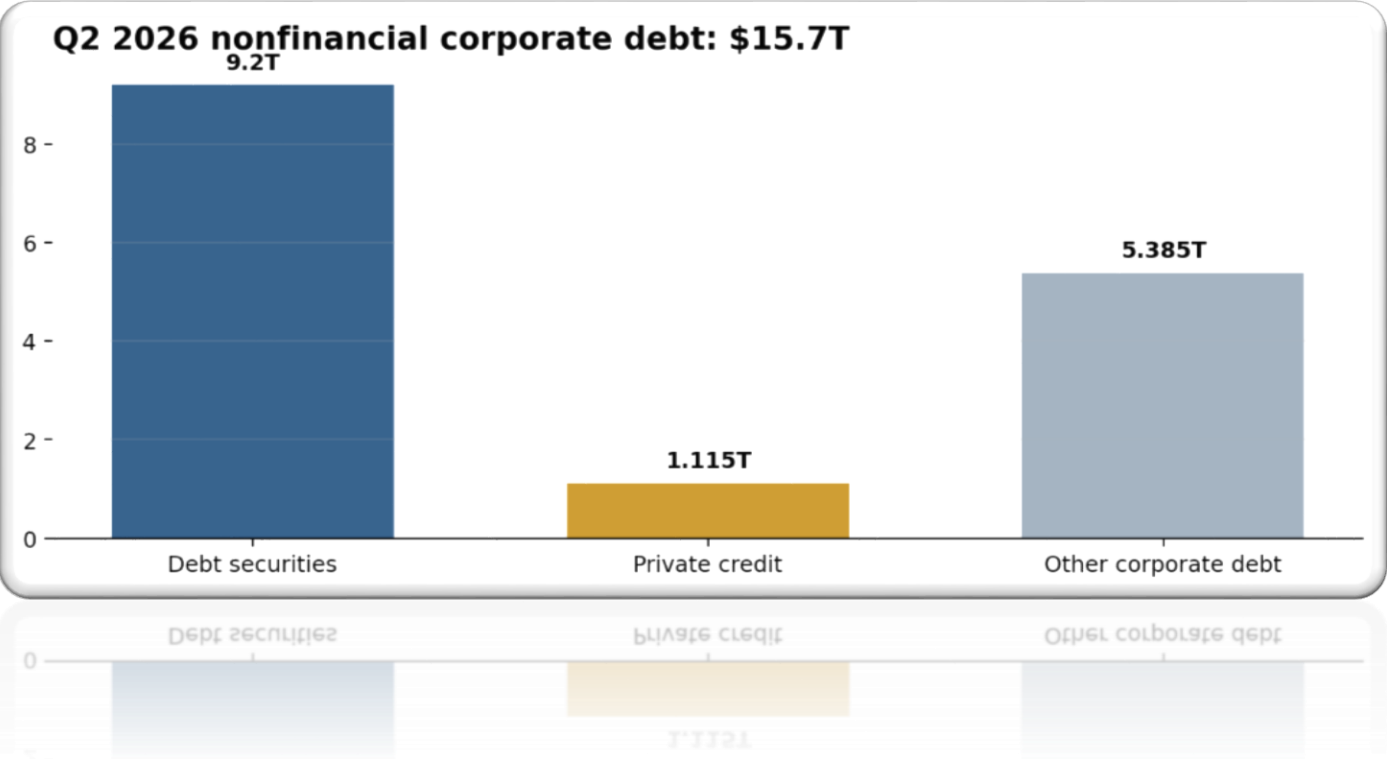
CURRENT SCALE

- \$1.540T total private-credit liabilities/assets in Q2 2026.
- \$1.121T to nonfinancial corporate businesses.
- Private credit now equals 7.1% of nonfinancial corporate debt.
- Federal Reserve analysis places late-2025 private credit at about \$1.4T, or 10% of U.S. nonfinancial corporate debt under its broader market-size measure.
- The difference in measures is important: definitions and coverage are not identical.

The key issue is connectivity: banks can be exposed through commitments, lending, derivatives, custody, and funding even when the underlying loan is held outside the banking sector.

The 2026 Risk Is Increasingly About Correlation

A dashboard of isolated indicators can miss the nonlinear effect of simultaneous stress.



CORRELATION CHANNELS

CRE refinancing → provisions → capital pressure

Securities losses + deposit outflows → liquidity pressure

Consumer deterioration + NIM compression → weaker earnings

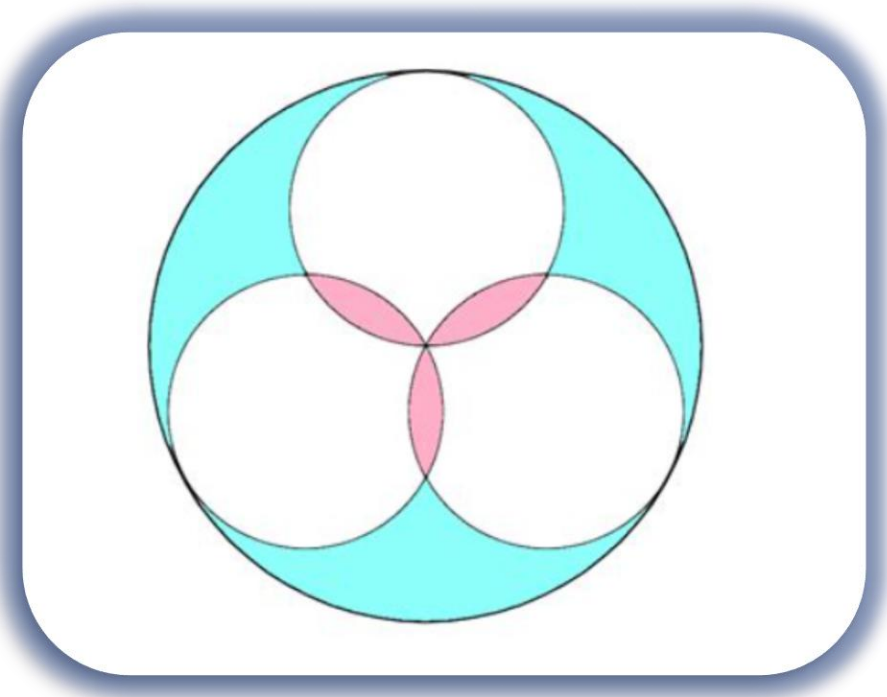
Private-credit stress → NBFI losses → bank commitments and funding channels

Cyber/technology disruption → payments and operational liquidity

Q2 2026 corporate debt was \$15.7T, with debt securities at \$9.2T and private credit at 7.1% of the total. The system is therefore larger than traditional bank balance sheets.

How a Manageable Problem Can Become a Liquidity Event

- Credit losses → lower earnings and capital.
- Lower capital → weaker market confidence.
- Confidence shock → deposit outflows.
- Deposit outflows → greater liquidity pressure and potentially higher funding costs.
- Liquidity pressure → asset sales or additional funding needs.
- The lesson from 2023 is that speed and confidence can matter as much as the initial size of a loss.





PART III | THE RESET IN GOVERNANCE

Resilience now extends beyond capital ratios



Regulation Is Expanding the Definition of Resilience

- Capital and liquidity remain foundational, but they are no longer the entire resilience framework.
- Supervisory attention increasingly encompasses operational resilience, third-party dependencies, cyber risk, model risk, data governance, and technology.
- Basel III reforms continue to influence capital planning and risk-weighted assets.
- Digital assets and AI create new questions around custody, consumer protection, model accountability, data quality, and controls.
- The direction of travel is toward integrated enterprise risk management.



Geopolitical Risk Becomes Financial Risk

- Geopolitical conflict and strategic competition can reach banks through commodity prices, capital flows, sanctions, supply chains, and market volatility.
- A bank does not need large direct geographic exposure to experience second-order effects through customers and markets.
- Sanctions compliance and financial-crime controls are becoming strategic capabilities.
- Enterprise risk management increasingly needs scenarios that connect geopolitical events to credit, liquidity, market, and operational risk.



AI: From Hype to Core Banking Capability

- AI is moving from isolated experimentation toward fraud detection, credit analytics, customer service, compliance, and portfolio surveillance.
- The economic opportunity is significant, but value depends on data quality, model performance, integration, and governance.
- The new control problem is not simply whether an AI model works. It is whether the institution can explain, validate, monitor, and govern its decisions.
- Human oversight remains essential where AI affects credit, compliance, customer outcomes, or risk decisions.



Cybersecurity: A Balance-Sheet Issue

- Digital transformation increases the attack surface and dependence on third-party technology providers.
- Ransomware, credential theft, supply-chain vulnerabilities, and AI-enabled phishing can disrupt operations and damage trust.
- A cyber event can become a financial event through payment disruption, liquidity pressure, customer attrition, legal exposure, and reputational damage.
- Resilience means the ability to prevent, detect, respond, recover, and learn.



The Competitive Frontier: Payments and Digital Money

- Competition now extends beyond traditional banks to digital banks, fintech lenders, payment platforms, BNPL providers, and embedded-finance ecosystems.
- Customers increasingly expect real-time, mobile-first, personalized, and frictionless financial services.
- Stablecoins and tokenized payment rails are becoming relevant to settlement, cross-border payments, and liquidity management.
- The strategic question for banks is whether they build, connect to, or lose ground to new financial infrastructure.



Five Priorities for the Reset

- 1. Integrate enterprise risk management: connect financial, credit, liquidity, cyber, geopolitical, technology, and third-party risks.
- 2. Govern AI responsibly: validation, explainability, accountability, data quality, and human oversight.
- 3. Modernize core infrastructure: cloud, APIs, automation, modular architecture, and resilient systems.
- 4. Strengthen digital payments: treat real-time and tokenized capabilities as strategic infrastructure.
- 5. Build trust: make transparency, security, resilience, and stability part of the institution's value proposition.

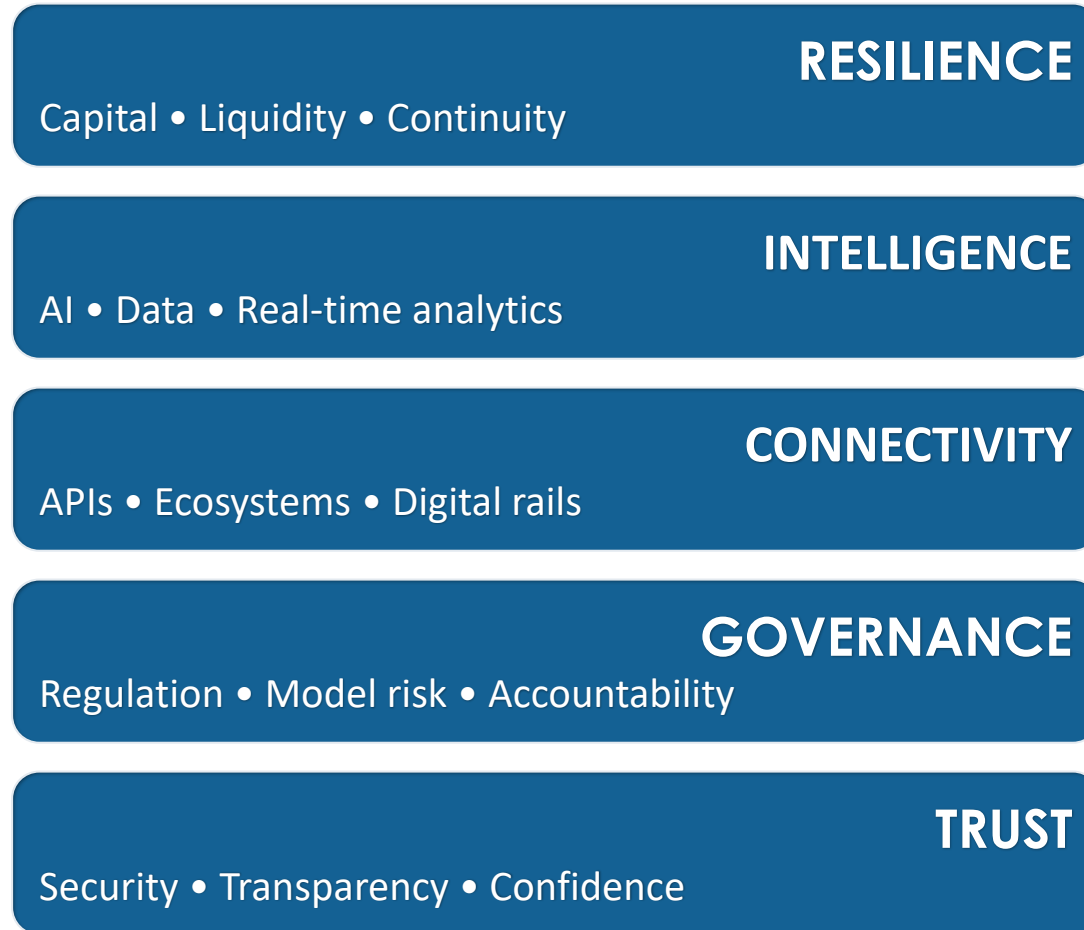
What the Banking Reset Means for Finance & Accounting Professionals

- Move from periodic reporting toward continuous monitoring and real-time analytics.
- Use AI to improve analysis, while challenging model assumptions, data quality, and outputs.
- Connect financial statements to operational, technology, cyber, and geopolitical exposures.
- Expect digital assets and tokenized finance to create new valuation, accounting, control, tax, and assurance questions.
- The enduring advantage is judgment: understanding what the data means and knowing what questions to ask.



The New Banking Operating Model

Five capabilities increasingly define resilience and competitiveness



The 2026 Risk Dashboard

A data-driven dashboard should track levels, changes, concentrations, and cross-market linkages.

Funding

Deposits, uninsured deposits, wholesale funding, liquidity buffer

Earnings

NIM, ROA, provisions, credit costs

Credit

NPLs, charge-offs, criticized assets, loan growth

CRE

Maturities, DSCR, vacancy, collateral values

Capital

CET1, RWA growth, stress capital

NBFIs

Bank commitments, private-credit exposures, redemption pressure

Markets

Securities losses, spreads, repo conditions

Technology

Cyber incidents, outages, third-party concentration, AI model risk

The most useful dashboard is dynamic: it highlights deterioration in direction and correlation, not merely whether a single ratio remains within a historical range.

The Great Banking Reset

- 2023 taught us how quickly confidence, liquidity, and balance-sheet risk can interact.
- 2026 shows a stronger banking system, but a more complex financial system.
- Risk is increasingly distributed across banks, private credit, asset managers, insurers, markets, and technology platforms.
- The reset is therefore about more than capital. It is about resilience, intelligence, connectivity, governance, and trust.
- The central question: Where is risk accumulating, who is holding it, and through what channels can it move?

Thank you | Questions & Discussion

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Thank you | Questions & Discussion

Selected Primary Sources

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